

CONFORMED COPY

LOAN NUMBER 8074-BR

Loan Agreement

**(Federal Integrated Water Sector Project –
Programa de Desenvolvimento do Setor Água - Interáguas)**

between

FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 15, 2011

LOAN AGREEMENT

Agreement dated December 15, 2011, between FEDERATIVE REPUBLIC OF BRAZIL (Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and seven million, three hundred thirty two thousand and five hundred Dollars (\$107,332,500), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is: (a) on behalf of ANA, its Director President; (b) on behalf of MMA, the Minister of MMA; (c) on behalf of MI, the Minister of MI; (d) on behalf of Mcid, the Minister of Mcid.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the

Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.05. The Payment Dates are June 1 and December 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07.
 - (a) The Borrower may at any time, in each case with the prior no objection of the Borrower, through its Secretariat of the National Treasury, request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
 - (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
 - (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall:
 - (a) carry out Part 1 of the Project through MMA and ANA;

- (b) carry out Part 2 of the Project through MI;
 - (c) carry out Part 3 of the Project through MCid; and
 - (d) carry out Part 4 and Part 5 of the Project through ANA, MMA, MI and MCid (each within their respective area of autonomy and competence), all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that the *Comitê Gestor do Programa* shall have ceased to exist or its functions and structure shall have been modified so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to perform any of its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The regulations creating the *Comitê Gestor do Programa* and the Project Management Units have been issued and published in form and substance satisfactory to the Bank.
 - (b) The Operational Manual has been adopted through a resolution (*deliberação*) issued by the *Comitê Gestor do Programa* and published by the Borrower in form and substance satisfactory to the Bank.
- 5.02. The Additional Legal Matter consists of the following, namely that that the Loan has been registered with the Borrower's Central Bank.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on January 11, 2013.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Finance.
- 6.02. The Borrower's Address is:

Ministério da Fazenda
Procuradoria-Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
Brasília, DF, 70048-900
Brazil
Facsimile: (55-61) 3412-1740

With copies to:

SEAIN - Secretaria de Assuntos Internacionais do
Ministério do Planejamento, Orçamento e Gestão
Esplanada dos Ministérios - Bloco K - 5º andar
Brasília, DF, 70040-906
Brazil
Facsimile: (55-61) 2020-5006

And to:

Ministério do Meio Ambiente – MMA
Secretaria Executiva
Esplanada dos Ministérios - Bloco Bl. B - 6º andar
Brasília, DF, 70068-900
Brazil
Facsimile: (55-61) 2028-1770/2015

Ministério da Integração Nacional – MI
Gabinete do Ministro
Esplanada dos Ministérios Bl. E Sala 800
Brasília, DF 70062-900
Brazil
Facsimile: (55-61) 3414-4268/5812

Ministério das Cidades – Mucid
Secretaria Executiva
SAUS Quadra 01 Bloco H Ed. Telemundi II, 12º andar
Brasília, DF, 70070-010
Brazil
Facsimile: (55-61) 2108-1420

Agência Nacional de Águas - ANA
SPO, Área 05 Quadra 03 Bloco M
Brasília, DF, 70610-200
Brazil
Facsimile: (55-61) 2109-5296

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Brasília, Federative Republic of Brazil, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By/s/ Ana Lucia Gatto de Oliveira

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Makhtar Diop

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower to improve the coordination, and strengthen the capacity, among key federal institutions in the water sector toward an integrated approach.

The Project consists of the following parts:

Part 1. Water Resources Management

Provision of support to the deployment of tools and instruments to SINGREH; enhance institutional development; reduce the disparities between the Borrower's federal and states water management systems; identify actions to mitigate and adapt to climate change; streamline procedures; and establish criteria for ongoing monitoring and evaluation systems to increase efficiency and legal compliance of water resources guidelines and policies with the Borrower's 1997 Water Law No. 9433 dated January 8, 1997, which established the National Water Resources Policy, through:

- (i) the carrying out of the following planning and management activities: (A) assessing and supporting the modification of the legal framework for federal and state water resources; (B) strengthening of the National Water Resources Plan and state and river basin plans and agencies; (C) implementation and expansion of the water resources monitoring network; (D) promoting the enforcement of water rights and charges; (E) planning and implementation of a national program for water resources management training; (F) implementation of a results based management system for the National Water Resources Plan; and (G) technical support to integrated urban water management including solid waste and management models;

- (ii) the carrying out of the following studies to: (A) verify feasibility of water projects; (B) monitor and assess groundwater potential; (C) implement demonstration projects for water resource conservation and reuse, and rehabilitation plans; (D) prevent and control of critical events including climate change; (E) develop hydrographic mapping; (F) develop and modernize a water users and infrastructure registry; (G) address topics such as the relationship between environmental degradation, desertification, water resources, technologies for efficient water use, and impacts of climate change on water resource availability, and influence of global macroeconomic dynamics on water resources; and (H) development of financial mechanisms and tools for environmental and water management, including solid waste; and

- (iii) the carrying out of the following institutional development activities: (A) training and strengthening of water resources management agencies, including water user associations and water boards; (B) development and implementation of: (1) education and social mobilization campaigns, and (2) communication and dissemination programs;

(C) monitoring and improvement of SINGREH's institutions capacity; (D) enhancement of economic and financial sustainability of water resources management and water resources policies and funding; (E) support to south-south cooperation in the water sector; and (F) strengthening of urban, environmental and water institutions.

Part 2. Water, Irrigation and Disaster Risk Management

Provision of support for institutional strengthening to improve water infrastructure, irrigation and SINDEC activities, and to raise the overall assessment capacity of strategic existing water infrastructure and disaster risk management capacity, including floods and droughts and other hazards, through:

(i) the carrying out of the following planning and management activities: (A) assessment of federal and state water infrastructure plans in the Northeast Region; (B) development of criteria for selecting water infrastructure projects; (C) preparation of state and national irrigation plans with incentives to optimize irrigation systems; (D) creation of a risk management information system; (E) development of a risk management plan, including risk identification, monitoring and early warning systems, and emergency response plans; (F) development of information systems for water infrastructure; and (G) increase of strategic planning for drought risk reduction and climate change;

(ii) the carrying out of the following studies to: (A) verify the technical, economic, social, financial, and environmental feasibility of water infrastructure activities; (B) prepare water infrastructure management, operation and maintenance plans; (C) assess existing water infrastructure; (D) develop dam safety plans; (E) promote social participation; (F) develop plans for improvement of irrigation activities; (G) support the implementation of the National Irrigation Policy; and (H) support disaster risk management; and

(iii) the carrying out of the following institutional development activities: (A) provision of technical support and capacity building to federal and state agencies to enhance performance in water infrastructure, irrigation, and risk management areas; (B) provision of technical assistance to implement: (1) water infrastructure management and monitoring systems; (2) management plans for public irrigation projects; and (3) training for irrigation user organizations; (C) acquisition and/or development of computer programs for administration and management; (D) preparation of technical and operational manuals for water infrastructure, irrigation and disaster risk management; and (E) support to irrigation, water infrastructure and SINDEC agencies.

Part 3: Water Supply and Sanitation

Provision of support to the implementation of the Borrower's 2007 National Sanitation Law No. 11445, the improvement of the quality of the provision of water supply and basic sanitation services and contribution to promote universal access to these services through:

(i) the carrying out of the following planning and management activities: (A) support to the implementation of the National Basic Sanitation Guidelines and of SINISA; (B) assessment of PAC investments in water supply and basic sanitation infrastructure; (C) development of a national technical cooperation in the water supply and basic sanitation areas; (D) development and expansion of a training, research and technology national network in water supply and basic sanitation (E) preparation of local and regional water supply and basic sanitation plans for states and municipalities; and (F) review and evaluation of programs and actions included in PPA and PAC;

(ii) the carrying out of the following studies to: (A) improve the assessment capacity on technical, economic, financial, policy, institutional and management matters; (B) contribute to the monitoring and evaluation of public policies; (C) improve “COM + ÁGUA” Project; (D) expand the Integrated Management System for Water Supply and Sanitation; (E) integrate, expand, and upgrade PMSS systems; (E) expand integrated water supply and basic sanitation services technology in slum areas; (F) adopt clean development mechanisms for water supply and basic sanitation; and (G) disseminate technology; and

(iii) the carrying out of the following institutional development activities: (A) support to the integration of PAC-financed projects and institutional development of services providers; (B) provision of technical assistance to states, municipalities, regulators, and service providers for sector modernization; (C) incentive to associated management of water supply and basic sanitation services; (D) development of local or regional water supply and basic sanitation plans; (E) support, development and dissemination of transparency instruments and promotion of social participation; and (F) review of water supply and basic sanitation environmental licensing regulations.

Part 4: Intersectoral Coordination and Integrated Planning

Provision of support to integrated planning; identification of areas of mutual interest, overlap, or conflict in the sectoral plans which impact and/or depend upon water; carrying out of studies and institutional improvements involving multiple sectors, and support to water management and conservation measures preferentially in the São Francisco and the Araguaia-Tocantins river basins, through:

(i) the carrying out of the following planning and management activities: (A) improvement of water management and use associated with the Integration Project in the São Francisco River Basin; (B) integration of planning and regulation in the water resources and water supply and basic sanitation sectors and in the energy and navigation sectors; (C) implementation of methods to integrate river basin environmental assessment for planning in the hydroelectric, river navigation and water supply and sanitation sectors at the state and municipality level; and (D) development and implementation of systems and methodologies to monitor and evaluate policies and public investments in the water sector;

(ii) the carrying out of the following studies to: (A) evaluate alternatives to integrate procedures for water rights, emission of environmental licenses, environmental planning, and provision of public services; (B) rehabilitate river basins; (C) improve energy efficiency; (D) develop water conservation and reuse projects; (E) promote efficiency technologies and develop a methodology for certification of the proper use of water in irrigated agriculture; (F) control and measure water quality; (G) create clean development mechanisms; (H) assess and develop payment for environmental services; (I) systematize the database of existing engineering designs and works; and (J) identify projects to encourage rational and efficient water use; and

(iii) the carrying out of the following institutional development activities:(A) coordination of methods, evaluation systems, and decision support in sectors where water resources are fundamental inputs; (B) coordination and communication among sector information systems; (C) support to the establishment of permanent mechanisms and structures for articulation and coordination of federal government actions in the water sector; and (D) training of federal, state and municipality water professionals on Project related activities.

Part 5: Project Management, Monitoring, and Evaluation

Provision of support to: (i) the management of the operational aspects of the Project in order to coordinate, monitor, and evaluate all of the interventions undertaken to ensure that they meet the targets, timetables, and objectives originally specified and to ensure overall efficient administration including reporting, financial management, and auditing of the Project; and (ii) the effective transfer of knowledge and the use of best practices at the subnational level including a strong communication program, through, *inter alia*, workshops and seminars to inform the relevant stakeholders at the river basin, municipal, state, and federal levels.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, through ANA, MMA, MI and MCid (each within their respective area of autonomy and competence), carry out the Project in accordance with the Operational Manual, including the Procurement Plan, the Annual Operating Plans, the Environmental Management Framework and the Social Framework, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.
2. The Borrower shall establish and thereafter maintain, until the completion of the execution of the Project, an interministerial management committee (the *Comitê Gestor do Programa*) to convene at least once every semester, and shall submit the minutes of said meetings to the Bank.
3. The Borrower shall establish, and thereafter operate and maintain, until the completion of the execution of the Project, Project management units (the Project Management Units) physically located in ANA, MMA, MI and MCid, all with competent staff in adequate numbers with qualifications and experience satisfactory to the Bank and selected in accordance, as applicable, with the provisions of Section III of this Schedule, including in each of said units the following key staff: a Project coordinator, a technical manager, a financial management specialist, a procurement specialist, and whenever necessary a social safeguard specialist and an environmental safeguard specialist.
4. The Borrower shall establish no later than three months after the establishment of the *Comitê Gestor do Programa* and thereafter maintain, until the completion of the execution of the Project, a Project technical Secretariat for the *Comitê Gestor do Programa* (the Project Technical Secretariat), to be physically located in ANA, and in charge of overall Project coordination, including all intersectoral activities as set forth in the Operational Manual.
5. The Borrower shall, at least once a year during Project implementation on or about December 1, commencing on the first such date after the Effective Date, prepare and furnish to the Bank a plan, acceptable to the Bank (the Annual Operating Plan for the Project's operation during the following twelve months).

6. For purposes of carrying out its procurement obligations under the Project, the Borrower, through ANA, MMA, MI and MCid (each within their respective area of autonomy and competence) may enter into an agreement with an entity with qualifications and procurement experience acceptable to the Bank, under terms and conditions satisfactory to the Bank (the Procurement Agent Agreement), which shall include, *inter alia*: (a) the obligation of the Procurement Agent (on behalf of the Borrower): (A) to carry out the procurement of certain goods, consultants' services and Services (other than Consultants' Services) under the Project in accordance with the provisions set forth in Section III of this Schedule and in the Operational Manual ; and (B) to keep separate records and accounts in respect of such goods, consultants' services and Services (other than Consultants' Services) and to assist the Borrower in complying with its obligations under this Agreement; (b) the obligation of the Borrower: (A) to transfer directly to the Procurement Agent the proceeds of the Loan allocated to Category (1) as required by the Procurement Agent to effect the payments for goods, consultants' services and Services (other than Consultants' Services) under the Project; (B) to transfer to the Procurement Agent the Project counterpart funds (i.e., non-Loan funds) as required for the Procurement Agent to effect the payments for goods, consultants' services and Services (other than Consultants' Services) under the Project; and (C) to pay any administrative fees due to the Procurement Agent under the Procurement Agent Agreement.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Cooperation Agreements

1. The Borrower, through ANA, MMA, MI or MCid, shall, prior to carrying out any Project activity which requires the assistance of a Participating Entity (as determined by the Borrower in accordance with the provisions of the Operational Manual), enter into an agreement (the Cooperation Agreement) with the relevant Participating Entity under terms and conditions approved by the Bank as further specified in the Operational Manual for purposes of assisting ANA, MMA, MI or MCid in the implementation of the respective Parts of the Project under their responsibility, and thereafter maintain the pertinent Cooperation Agreement throughout the implementation of the Project.
2. The Borrower, through ANA, MMA, MI or MCid, shall exercise its rights and carry out its obligations under each Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Cooperation Agreement or any provision thereof.

D. Safeguards - Environmental Management Framework and Social Framework

1. The Borrower shall, through the Project Management Units: (a) implement the Project in accordance with the Environmental Management Framework (including provisions for environmental assessment, natural habitats, pest management, forests, chance finding of cultural property and safety of dams) and the Social Management Framework (including provisions for indigenous peoples and involuntary resettlement); and (b) adopt the procedures detailed in said Environmental Management Framework and Social Management Framework for environmental and social screening, evaluation, implementation and monitoring of the Project.
2. The Borrower, through, ANA, MMA, MI or MCid, shall ensure, and/or cause the Participating Entities to ensure, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through each Project Management Unit, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the performance indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Project Technical Secretariat to be consolidated and furnished to the Bank not later than forty-five days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, ANA, MMA, MI and MCid shall prepare and furnish to the Project Technical Secretariat interim

unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank, which shall be consolidated and sent to the Bank not later than forty-five days after the end of each calendar quarter.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, and Services (Other than Consultants' Services).** All goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Services (Other than Consultants' Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and services (other than consultants' services) shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Services (Other than Consultants' Services).** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank as well as procurement in accordance with the method known as “ <i>pregão eletrônico</i> ”, as provided in the Borrower’s Law No. 10520, of July 17, 2002, and in Decree No. 5450 of May 31, 2005, under COMPRASNET (the Borrower’s procurement portal or any other e-procurement system approved by the Bank), subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.
(b) Shopping including in respect of goods and services, <i>pregão eletrônico</i> set forth in Borrower’s Law No. 10520, of July 17, 2002, and in Decree No. 5450 of May 31, 2005.
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on the Consultants’ Qualifications
(e) Single-Source Selection
(f) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Consultants’ Services, Services (Other than Consultants’ Services) Training and Operating Costs for the Project	107,064,168	100%
(2) Front-end Fee	268,332	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premium for Interest Rate Caps and Collars	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
TOTAL AMOUNT	107,332,500	

3. For the purposes of this table:
 - (a) the term “Operating Costs” means the operational costs (which would not have occurred absent the Project, including, *inter alia*, equipment and computer maintenance, office supplies, utilities, and rent for office facilities) and the supervision and monitoring costs of the Project incurred by the Project Management Units, the *Comitê Gestor do*

Programa and the Project Technical Secretariat under the Project (including, *inter alia*, travel, per diem, accommodation, operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the monitoring and information system, supervisory and quality control activities, but excluding expenditures for civil servant salaries and related benefits);

- (b) the term “Training” means the costs, which would not have occurred absent the Project, including, *inter alia*, information workshops, study tours, and training programs, equipment required for training purposes and the travel, per diem and accommodation costs for technical staff of the Project Management Units, but excluding expenditures for civil servant salaries and related benefits; and
- (c) the term “Services (other than Consultants’ Services)” means the costs of services which are not consultants’ services, including, *inter alia*, the costs of surveys, data collection and processing, printing services, publications and dissemination activities and travel agencies services.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,733,250 equivalent may be made for payments made within twelve months prior to such date for Eligible Expenditures under Category (1).
- 2. The Closing Date is December 31, 2016. The Bank shall only grant an extension of the Closing Date after the Borrower’s Ministry of Finance has informed the Bank that it agrees with such extension.

Section V. Other Undertakings

By July 31, 2014, or such other date as the Bank shall agree upon, the Borrower shall:

- 1. carry out jointly with the Bank, a mid-term review of the implementation of the Project (Midterm Review). The Midterm Review shall cover the progress achieved in the implementation of the Project; and
- 2. following such Midterm Review, act promptly and diligently to take any corrective action as shall be agreed between the Borrower and Bank.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 1 and December 1 Beginning December 1, 2016 through June 1, 2041	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “ANA” means *Agência Nacional de Águas*, the Borrower’s National Water Agency, as existing and operating under the Borrower’s Law No. 9984, dated July 17, 2000, or any successor thereto acceptable to the Bank.
2. “Annual Operating Plan” means any of the plans referred to in Section I.A.5 of Schedule 2 to this Agreement, which shall contain the activities to be implemented during the Borrower’s fiscal year with the respective resources and in accordance with the Borrower’s annual budgetary law.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
4. “Bank Safeguards Policies” means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “COM + ÁGUA Project” means the Borrower’s main initiative under the PMSS, whose objective is to prevent water losses and promoting the efficient use of electric energy in water supply systems by proposing integrated and participatory management and social mobilization.
7. “*Comitê Gestor do Programa*” means the interministerial committee referred to in Section I.A.3 of Schedule 2 to this Agreement in charge of overall coordination for the Project as further detailed in the Operational Manual.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006, and May 2010.
9. “Cooperation Agreement” means any of the agreements referred to in Section I.C.1 of Schedule 2 to this Agreement.
10. “Environmental Management Framework” means the Borrower’s framework dated August, 2010, acceptable to the Bank (included in the Operational Manual), and published and available to the public on the website

<http://interaguas.ana.gov.br> which contains, *inter alia*, the environmental principles and policies that shall apply to the implementation of the Project.

11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
12. “Integrated Management System for Water Supply and Sanitation - GSAN” means the Borrower’s main initiative under the PMSS, whose objective is to make commercial and operational management of water supply and basic sanitation services through a public and open software.
13. “Integration Project in the São Francisco River Basin” means the Borrower’s initiative for integrating the São Francisco River Basin with basins in the States of Ceará, Rio Grande do Norte, Paraíba and Pernambuco.
14. “MCid” means *Ministério das Cidades*, the Borrower’s Ministry for Cities, or any successor thereto acceptable to the Bank.
15. “MI” means *Ministério da Integração Nacional*, the Borrower’s Ministry for National Integration, or any successor thereto acceptable to the Bank.
16. “MMA” means *Ministério do Meio Ambiente*, the Borrower’s Ministry for Environment, or any successor thereto acceptable to the Bank.
17. “National Basic Sanitation Guidelines” means the Borrower’s national water supply, wastewater, urban drainage and solid waste management guidelines as established under the Borrower’s Law No. 11445 dated January 5, 2007.
18. “National Irrigation Policy” means the Borrower’s national irrigation policy as established under the Borrower’s Law No. 6662, dated 1979, as amended.
19. “National Water Resources Plan” means a planning instrument approved by the Borrower’s National Council of Water Resources for the water resource sector established under the Council’s Resolution No. 58 dated January 30, 2006.
20. “National Water Resources Policy” means the Borrower’s national water resource policy as established under the Borrower’s Law No. 9433 dated January 8, 1997.
21. “Northeast Region” means a geographic region in the Borrower’s territory that comprises the following States: Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Sergipe.
22. “Operational Manual” means the operational manual for the Project, satisfactory to the Bank, to be adopted by the Borrower through a resolution of the *Comitê*

Gestor do Programa, which manual shall contain, *inter alia*: (i) the terms of reference, functions and responsibilities for the personnel of: (A) the Project Implementation Units; (B) the Project Technical Secretariat; and (C) the *Comitê Gestor do Programa*; (ii) the procedures for procurement of goods, consultants' services and services (other than Consultants' Services) for the Project, as well as for financial management and procurement audits of the Project; (iii) flow and disbursement arrangements of Project funds; (iv) the Annual Operating Plan for the first year of the Project; and (v) the Environmental Management Framework and the Social Management Framework.

23. "PAC" means *Programa de Aceleração do Crescimento*, the Borrower's growth acceleration program as established under the Borrower's Law No. 11578 dated November 26, 2007.
24. "Participating Entity" means any federal, state and municipal institution, river basin agencies and water and basic sanitation service providers that have requested support from the Project and demonstrated a strong commitment to advance reforms and improve performance in the water sector in the Borrower's territory.
25. "PMSS" means the Borrower's Water Sector Modernization Program (PMSS), which provides technical assistance to the actions of the National Secretariat of Sanitation under the MCid.
26. "PPA" means the Borrower's Multiyear Plan, which is approved by the Congress every four years, including programs to be implemented over the following four years.
27. "Procurement Agent" means the procurement agent referred to in Section I.A.6 of Schedule 2 to this Agreement.
28. "Procurement Agent Agreement" means the agreement referred to in Section I.A.6 of Schedule 2 to this Agreement.
29. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004, and revised in October 2006, and May 2010.
30. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 21, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
31. "Project Management Units" means the four management units referred to in Section I.A.2 of Schedule 2 to this Agreement.

32. “Project Technical Secretariat” means the secretariat within ANA referred to in Section I.A.4 of Schedule 2 to this Agreement in charge of serving as a technical secretariat to the *Comitê Gestor do Programa*.
33. “SINDEC” means *Sistema Nacional de Defesa Civil*, the Borrower’s system that coordinates and plans the national disaster risk management activities, as established under the Borrower’s Law No.12340, dated September 1, 2010.
34. SINGREH means *Sistema Nacional de Gerenciamento de Recursos Hídricos*, the Borrower’s national system of water resources management as established under the Borrower’s Law No. 9433, dated January 8, 1997.
35. “SINISA” means *Sistema Nacional de Informações em Saneamento Básico*, the Borrower’s national information system on water supply and basic sanitation as established under the Borrower’s Law No. 11445, dated January 5, 2007.
36. “Social Management Framework” means the Borrower’s framework dated September, 2010, acceptable to the Bank (included in the Operational Manual), and published and available to the public on the website <http://interaguas.ana.gov.br> which contains, *inter alia*, the social principles and policies that shall apply to the implementation of the Project.